

OFFICE OF THE STATE CONTROLLER  
STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2011-15  
MANDATE REIMBURSEMENT PROCESS I AND II  
COMMUNITY COLLEGE DISTRICTS

AUGUST 1, 2011

REVISED JULY 1, 2012

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Mandate Reimbursement Process I and II (MRP I and II) program. The Consolidated Parameters and Guidelines (P's & G's) are included as an integral part of the claiming instructions.

On May 26, 2011, the Commission on State Mandates (CSM) adopted the Consolidated P's & G's which emphasize that the mandated activities listed in MRP I and II are reimbursable only when a successful test claim or reimbursement claim has been approved. In addition, it specifies that reimbursement is effective beginning July 1, 2011.

**Exception**

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

**Eligible Claimants**

Any community college district as defined in Government Code section 17519, which incurs increased costs as a result of this mandate, is eligible to claim for reimbursement. Separate claiming instructions were issued for school districts. Refer to MRP I and II for School Districts, program 319.

**Reimbursement Claim Deadline**

Claims for the **2011-2012** fiscal year may be filed by **February 15, 2013**, without a late penalty. **Claims filed more than one year after the deadline will not be accepted.**

**Penalty**

- **Initial Claims**

When filed within one year of the initial filing deadline, claims are assessed a late penalty of 10% of the total amount of the initial claim without limitation pursuant to GC section 17561, subdivision (d)(3).

- **Annual Reimbursement Claim**

When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount; \$10,000 maximum penalty, pursuant to GC section 17568.

## **Minimum Claim Cost**

GC section 17564, subdivision (a), provides that no claim may be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds one thousand dollars (**\$1,000**).

## **Reimbursement of Claims**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

## **Audit of Costs**

All claims submitted to the SCO are subject to review to determine if costs are related to the mandate, are reasonable and not excessive, and if the claim was prepared in accordance with the SCO's claiming instructions and the P's & G's adopted by the CSM. If any adjustments are made to a claim, the claimant will be notified of the amount adjusted, and the reason for the adjustment.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a claimant is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the SCO to initiate an audit will commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the SCO during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.

## **Record Retention**

All documentation to support actual costs claimed must be retained for a period of three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Therefore, all

documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

### **Claim Submission**

Submit a signed original Form FAM-27 and one copy with required documents. **Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.**

Mandated costs claiming instructions and forms are available online at the SCO's website: **[www.sco.ca.gov/ard\\_mancost.html](http://www.sco.ca.gov/ard_mancost.html)**.

Use the following mailing addresses:

If delivered by  
U.S. Postal Service:

Office of the State Controller  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
P.O. Box 942850  
Sacramento, CA 94250

If delivered by  
other delivery services:

Office of the State Controller  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
3301 C Street, Suite 700  
Sacramento, CA 95816

If you have any questions, you may e-mail **[LRSDAR@sco.ca.gov](mailto:LRSDAR@sco.ca.gov)** or call the Local Reimbursements Section at (916) 324-5729.

BEFORE THE  
COMMISSION ON STATE MANDATES  
STATE OF CALIFORNIA

**IN RE TEST CLAIM ON:**

Statutes 1975, Chapter 486  
Statutes 1984, Chapter 1459  
Statutes 1995, Chapter 303 (Budget Act of 1995)  
Statutes 1996, Chapter 162 (Budget Act of 1996)  
Statutes 1997, Chapter 282 (Budget Act of 1997)  
Statutes 1998, Chapter 324 (Budget Act of 1998)  
Statutes 1999, Chapter 50 (Budget Act of 1999)  
Statutes 2000, Chapter 52 (Budget Act of 2000)  
Statutes 2001, Chapter 106 (Budget Act of 2001)  
Statutes 2002, Chapter 379 (Budget Act of 2002)  
Statutes 2003, Chapter 157 (Budget Act of 2003)  
Statutes 2004, Chapter 208 (Budget Act of 2004)  
Statutes 2005, Chapter 38 (Budget Act of 2005)  
Statutes 2006, Chapter 47 (Budget Act of 2006)  
Statutes 2007, Chapter 171 (Budget Act of 2007)  
Statutes 2008, Chapter 268 (Budget Act of 2008)  
Statutes 2009, Chapter 1, Third Extraordinary  
Session (Budget Act of 2009)  
Statutes 2010, Chapter 712 (Budget Act of 2010)

and

Government Code Section 17553, Subdivision  
(b)(1)(C) through (G) and (b)(2)  
Statutes 2004, Chapter 890 (AB 2856)

California Code of Regulations, Title 2, Sections  
1183, Subdivision (d)  
(Register 2005, No. 36, Effective  
September 6, 2005)

No.CSM 4204, 4485, 05-TC-05

*Mandate Reimbursement Process I and II*

ADOPTION OF PARAMETERS AND  
GUIDELINES PURSUANT TO GOVERNMENT  
CODE SECTION 17557 AND TITLE 2,  
CALIFORNIA CODE OF REGULATIONS,  
SECTION 1183.12

(Adopted on May 26, 2011)

**CONSOLIDATED PARAMETERS AND GUIDELINES**

On May 26, 2011, the Commission on State Mandates adopted the attached consolidated parameters and guidelines.



Drew Bohan, Executive Director

Dated: May 31, 2011

Adopted: May 26, 2011

## **CONSOLIDATED PARAMETERS AND GUIDELINES**

Statutes 1975, Chapter 486  
Statutes 1984, Chapter 1459  
Statutes 1995, Chapter 303 (Budget Act of 1995)  
Statutes 1996, Chapter 162 (Budget Act of 1996)  
Statutes 1997, Chapter 282 (Budget Act of 1997)  
Statutes 1998, Chapter 324 (Budget Act of 1998)  
Statutes 1999, Chapter 50 (Budget Act of 1999)  
Statutes 2000, Chapter 52 (Budget Act of 2000)  
Statutes 2001, Chapter 106 (Budget Act of 2001)  
Statutes 2002, Chapter 379 (Budget Act of 2002)  
Statutes 2003, Chapter 157 (Budget Act of 2003)  
Statutes 2004, Chapter 208 (Budget Act of 2004)  
Statutes 2005, Chapter 38 (Budget Act of 2005)  
Statutes 2006, Chapter 47 (Budget Act of 2006)  
Statutes 2007, Chapter 171 (Budget Act of 2007)  
Statutes 2008, Chapter 268 (Budget Act of 2008)  
Statutes 2009, Chapter 1, Third Extraordinary Session (Budget Act of 2009)  
Statutes 2010, Chapter 712 (Budget Act of 2010)

### *Mandate Reimbursement Process I*

CSM-4204 and 4485

And

Government Code Section 17553, Subdivision (b)(1)(C) through (G) and (b)(2)  
Statutes 2004, Chapter 890 (AB 2856)  
California Code of Regulations, Title 2, Sections 1183, Subdivision (d)  
(Register 2005, No. 36, Effective September 6, 2005)

### *Mandate Reimbursement Process II*

05-TC-05

**(Effective Beginning July 1, 2011)**

[For fiscal year 2010-2011, these parameters and guidelines are amended pursuant to the requirements of provision 5 of Item 0840-001-0001 of the Budget Act of 2010 to include Appendix A.]

## **I. SUMMARY OF THE MANDATE**

### *Mandate Reimbursement Process I*

On April 24, 1986, the Commission adopted the *Mandate Reimbursement Process I* statement of decision determining that Statutes 1875, chapter 486 and Statutes 1984, chapter 1459, which established the reimbursement process for state-mandated programs in Government Code section 17500 et seq., was a reimbursable state-mandated program pursuant to article XIII B, section 6

of the California Constitution. On November 20, 1986, the Commission adopted parameters and guidelines, authorizing reimbursement for filing successful test claims, reimbursement claims, and incorrect reduction claims.

### Mandate Reimbursement Process II

On September 27, 2005, a test claim was filed on Statutes 2004, chapter 890, which amended Government Code section 17553 to increase the requirements for filing test claims. The Commission subsequently adopted regulations to implement Statutes 2004, chapter 890 (Cal. Code Regs, tit. 2, § 1183, subd. (d)).

On January 29, 2010, the Commission adopted a statement of decision finding that Government Code section 17553, subdivision (b)(1)(C) through (G) and (b)(2) as amended by Statutes 2004, chapter 890, and section 1183, subdivision (d), of the Commission's regulations, as adopted in 2005, constitute a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17514. The Commission approved this test claim for the following reimbursable activities:

1. All test claims and test claim amendments shall include a written narrative that identifies the specific sections of statutes or executive orders alleged to contain a mandate, including:
  - a. The actual increased costs incurred by the claimant during the fiscal year for which the claim is filed.
  - b. The actual or estimated annual costs that will be incurred by the claimant to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim is filed.
  - c. A statewide cost estimate of increased costs that all local agencies or school districts will incur to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim is filed.
  - d. Identification of dedicated state funds appropriated for the program; dedicated federal funds appropriated for the program; other nonlocal agency funds dedicated to the program; the local agency's general purpose funds for the program; and fee authority to offset the costs of the program.
  - e. Identification of prior mandate determinations made by the Board of Control or the Commission that may be related to the alleged mandate.

(Gov. Code, § 17553, subd. (b)(1)(C) through (G), as amended by Stats. 2004, ch. 890; Cal. Code Regs., tit. 2, § 1183, subd. (d), Register 2005, No. 36, effective September 6, 2005.)
2. The written narrative in the test claim or test claim amendment shall be supported with declarations under penalty of perjury, based on the declarant's personal knowledge, information, or belief, and signed by persons who are authorized and competent to do so, as follows:

- a. Declarations of actual or estimated increased costs that will be incurred by the claimant to implement the alleged mandate.
- b. Declarations identifying all local, state, or federal funds, or fee authority that may be used to offset the increased costs that will be incurred by the claimant to implement the alleged mandate, including direct and indirect costs.
- c. Declarations describing new activities performed to implement specified provisions of the new statute or executive order.

(Gov. Code, § 17553, subd. (b)(2), as amended by Stats. 2004, ch. 890; Cal. Code Regs., tit. 2, § 1183, subd. (d), Register 2005, No. 36, effective September 6, 2005.)

*These activities are reimbursable only when a test claim is approved.*

## **II. ELIGIBLE CLAIMANTS**

Any "local agency" as defined in Government Code section 17518 that incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of those costs.

Any "school district" as defined in Government Code section 17519, including community college districts, which incurs increased costs as a result of this mandate is eligible to claim reimbursement. Charter schools are not eligible claimants.

## **III. PERIOD OF REIMBURSEMENT**

These consolidated parameters and guidelines are effective beginning July 1, 2011.

Reimbursement for state-mandated costs may be claimed as follows:

1. Actual costs for one fiscal year shall be included in each claim.
2. Pursuant to Government Code section 17561, subdivision (d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.
3. Pursuant to Government Code section 17560, subdivision (a), a local agency or school district may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
4. In the event that revised claiming instructions are issued by the Controller pursuant to Government Code section 17558, subdivision (c) between November 15 and February 15, a local agency or school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Gov. Code, § 17560, subd. (b).)
5. If the total costs for a given fiscal year do not exceed \$1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564.

6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.<sup>1</sup>

#### **IV. REIMBURSABLE ACTIVITIES**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

For each eligible claimant, the following activities are reimbursable:

##### **A. Scope of Mandate**

Local agencies and school districts filing successful test claims and reimbursement claims incur state-mandated costs. The purpose of this test claim is to establish that local governments cannot be made financially whole unless all state-mandated costs -- both direct and indirect -- are reimbursed. Since local costs would not have been incurred for test claims and reimbursement claims but for the implementation of state-imposed mandates, all resulting costs are recoverable.

##### **B. One-Time Activities (One-Time Per Employee) – Successful Test Claims Only**

###### **1. Training**

###### **a. Classes**

Include the costs of classes designed to assist the claimant in identifying and correctly preparing state-required documentation for specific reimbursable mandates. Such costs include, but are not limited to, salaries and benefits, transportation, registration fees, per diem, and related costs incurred because of this mandate.

###### **b. Commission Workshops**

---

<sup>1</sup>Statutes 2010, chapter 712, Item 0840-001-0001, Provision 5.



Participation in workshops convened by the Commission is reimbursable. Such costs include, but are not limited to, salaries and benefits, transportation, and per diem. This does not include reimbursement for participation in rulemaking proceedings.

C. On-Going Activities – Successful Test Claims Only

1. Test Claims

All costs incurred by local agencies and school districts in preparing and presenting successful test claims are reimbursable, including those same costs of an unsuccessful test claim if an adverse Commission ruling is later reversed as a result of a court order. These activities include, but are not limited to, the following: preparing and presenting test claims, developing parameters and guidelines, collecting cost data, and helping with the drafting of required claiming instructions. The following activities are eligible for reimbursement when preparing a test claim or test claim amendment. The costs of all successful test claims are reimbursable.

Costs that may be reimbursed include the following: salaries and benefits, materials and supplies, consultant and legal costs, transportation, and indirect costs.

a. Written Narrative

All test claims and test claim amendments shall include a written narrative as described below.

Draft the written narrative that identifies the specific sections of statutes or executive orders alleged to contain a mandate. Complete the following reimbursable activities to include in the written narrative:

- Gather and review information to complete the test claim narrative.
- Calculate the actual increased costs incurred by the claimant during the fiscal year for which the claim is filed.
- Calculate the actual or estimated annual costs that will be incurred by the claimant to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim is filed.
- Calculate a statewide cost estimate of increased costs that all local agencies or school districts will incur to implement the alleged mandate during the fiscal year immediately following the fiscal year for which the claim is filed.
- Investigate other funding sources to identify dedicated state funds appropriated for the program; dedicated federal funds appropriated for the program; other nonlocal agency funds dedicated to the program; the local agency's general purpose funds for the program; and fee authority to offset the costs of the program.
- Review and identify prior mandate determinations made by the Board of Control or the Commission that may be related to the alleged mandate.

(Gov. Code, § 17553, subd. (b)(1)(C) through (G), as amended by Stats. 2004, ch. 890; Cal. Code Regs., tit. 2, § 1183, subd. (d), Register 2005, No. 36, eff. September 6, 2005.)

b. Declarations

The written narrative in the test claim or test claim amendment shall be supported with declarations under penalty of perjury, based on the declarant's personal knowledge, information, or belief, and signed by persons who are authorized and competent to do so. The following activities to complete the declarations are reimbursable:

Draft and file the following declarations:

- Declarations of actual or estimated increased costs that will be incurred by the claimant to implement the alleged mandate.
- Declarations identifying all local, state, or federal funds, or fee authority that may be used to offset the increased costs that will be incurred by the claimant to implement the alleged mandate, including direct and indirect costs.
- Declarations describing new activities performed to implement specified provisions of the new statute or executive order.

(Gov. Code, § 177553, subd. (b)(2), as amended by Stats. 2004, ch. 890; Cal. Code Regs., tit. 2, § 1183, subd. (d), Register 2005, No. 36, eff. September 6, 2005).

Review the declarations with declarants, and obtain the declarants' signatures.

D. Reimbursement Claims

All costs incurred during the period of this claim for the preparation and submission of successful reimbursement claims to the State Controller are recoverable by the local agencies and school districts, unless the Legislature has suspended the operation of mandate pursuant to state law. Allowable costs include, but are not limited to, the following: salaries and benefits, service and supplies, contracted services, training, and indirect costs.

Incorrect Reduction Claims are considered to be an element of the reimbursement process. Reimbursable activities for successful incorrect reduction claims include the appearance of necessary representatives before the Commission on State Mandates to present the claim, in addition to the reimbursable activities set forth above for successful reimbursement claims.

**V. CLAIM PREPARATION AND SUBMISSION**

Each of the following cost elements must be identified for each reimbursable activity identified in Section IV, Reimbursable Activities, of this document. Each claimed reimbursable cost must be supported by source documentation as described in Section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for the reimbursable activities. The following direct costs are eligible for reimbursement.

#### 1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

#### 2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

#### 3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities. Attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and attorney invoices with the claim and a description of the contract scope of services.

#### 4. Fixed Assets

Report the purchase price paid for fixed assets (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

#### 5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination point, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

#### 6. Training

Report the cost of training an employee to perform the reimbursable activities, as specified in Section IV of this document. Report the name and job classification of each employee preparing for, attending, and/or conducting training necessary to implement the reimbursable activities. Provide the title, subject, and purpose (related to the mandate of the training

session), dates attended, and location. If the training encompasses subjects broader than the reimbursable activities, only the pro-rata portion can be claimed. Report employee training time for each applicable reimbursable activity according to the rules of cost element A.1, Salaries and Benefits, and A.2, Materials and Supplies. Report the cost of consultants who conduct the training according to the rules of cost element A.3, Contracted Services.

## B. Indirect Cost Reporting

### 1. Local Agencies

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include both (1) overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the Office of Management and Budget (OMB) Circular A-87. Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in OMB Circular A-87 Attachments A and B). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

- a. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) classifying a department's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected; or
- b. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to

distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected.

## 2. School Districts

Indirect costs are costs that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been claimed as a direct cost.

Indirect costs include: (a) the indirect costs originating in each department or agency of the governmental unit carrying out state mandated programs, and (b) the costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

School districts and county offices of education must use the Restrictive Indirect Cost Rates for K-12 Local Educational Agencies (LEAs) Five Year Listing issued by the California Department of Education (CDE) School Fiscal Services Division, for the fiscal year of costs.

## 3. Community College Districts

Community colleges have the option of using: (1) a federally approved rate, utilizing the cost accounting principles from the Office of Management and Budget Circular A-21, "Cost Principles of Educational Institutions"; (2) the rate calculated on State Controller's Form FAM-29C; or (3) a 7% indirect cost rate.

# **VI. RECORD RETENTION**

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter<sup>2</sup> is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

# **VII. OFFSETTING REVENUES AND REIMBURSEMENTS**

Any offsetting revenues the claimant experiences in the same program as a direct result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including but not limited

---

<sup>2</sup> This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

to, services fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

### **VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS**

Pursuant to Government Code section 17558, subdivision (b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the statute or executive order creating the mandate and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561, subdivision (d)(1), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

### **IX. REMEDIES BEFORE THE COMMISSION**

Upon request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions and the Controller shall modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557, and California Code of Regulations, title 2, section 1183.2.

### **X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES**

The Statement of Decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the Statement of Decision, is on file with the Commission.

**(Continue to Appendix A)**

## PARAMETERS AND GUIDELINES

Statutes 1975, Chapter 486  
Statutes 1984, Chapter 1459

*Mandate Reimbursement Process*  
*CSM-4204 and 4485*

### APPENDIX A

#### Limitation on Reimbursement for Independent Contractor Costs During Fiscal Years

2006-2007  
2007-2008  
2008-2009  
2009-2010  
2010-2011<sup>3</sup>

- A. If a local agency or school district contracts with an independent contractor for the preparation and submission of reimbursement claims, the costs reimbursable by the state for that purpose shall not exceed the lesser of (1) 10 percent of the amount of the claims prepared and submitted by the independent contractor, or (2) the actual costs that would necessarily have been incurred for that purpose if performed by employees of the local agency or school district.

The maximum amount of reimbursement provided in subdivision (A) for an independent contractor may be exceeded only if the local agency or school district establishes, by appropriate documentation, that the preparation and submission of these claims could not have been accomplished without incurring the additional costs claimed by the local agency or school district.

- B. Costs incurred for contract services and/or legal counsel that assist in the preparation, submission or presentation of claims are recoverable within the limitations imposed under subdivision A above. Provide copies of the invoices and/or claims that were paid. For the preparation and submission of claims pursuant to Government Code sections 17561 and 17564, submit an estimate of the actual costs that would have been incurred for that purpose if performed by employees of the local agency or school district; this cost estimate is to be certified by the governing body or its designee.

If reimbursement is sought for independent contractor costs that are in excess of [Test (1)] ten percent of the claims prepared and submitted by the independent contractor or [Test (2)] the actual costs that necessarily would have been incurred for that purpose if performed by employees of the local agency or school district, appropriate documentation must be submitted to show that the preparation and submission of these claims could not have been accomplished without the incurring of the additional costs claimed by the local agency or school district. Appropriate documentation includes the record of dates and

---

<sup>3</sup> The limitation added by Statutes 2010, chapter 712 (Budget Act of 2010) is shown as part A of this Appendix.

time spent by staff of the contractor for the preparation and submission of claims on behalf of the local agency or school district, the contractor's billed rates, and explanation on reasons for exceeding Test (1) and/or Test (2). In the absence of appropriate documentation, reimbursement is limited to the lesser of Test (1) and/or Test (2). No reimbursement shall be permitted for the cost of contracted services without the submission of an estimate of actual costs by the local agency or school district.



<b>MANDATE REIMBURSEMENT PROCESS I AND II CLAIM FOR PAYMENT</b>			<b>For State Controller Use Only</b>		<b>PROGRAM 320</b>			
(19) Program Number 00320 (20) Date Filed (21) LRS Input								
(01) Claimant Identification Number			<b>Reimbursement Claim Data</b>					
(02) Claimant Name			(22) FORM 1, (04) B. 1. a. (f)					
County of Location			(23) FORM 1, (04) B. 1. b. (f)					
Street Address or P.O. Box		Suite	(24) FORM 1, (04) C. 1. a. (f)					
City	State	Zip Code	(25) FORM 1, (04) C. 1. b. (f)					
		<b>Type of Claim</b>		(26) FORM 1, (04) D. (f)				
		(03)	(09) Reimbursement <input type="checkbox"/>		(27) FORM 1, (06)			
		(04)	(10) Combined <input checked="" type="checkbox"/>		(28) FORM 1, (07)			
		(05)	(11) Amended <input type="checkbox"/>		(29) FORM 1, (08)			
Fiscal Year of Cost		(06)	(12)		(30) FORM 1, (10)			
Total Claimed Amount		(07)	(13)		(31) FORM 1, (11)			
Less: 10% Late Penalty (refer to attached Instructions)			(14)		(32)			
Less: Prior Claim Payment Received			(15)		(33)			
Net Claimed Amount			(16)		(34)			
Due from State		(08)	(17)		(35)			
Due to State			(18)		(36)			
<p><b>(37) CERTIFICATION OF CLAIM</b></p> <p>In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the community college district to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 of the Government Code.</p> <p>I further certify that there was no application other than from the claimant, nor any grant(s) or payment(s) received, for reimbursement of costs claimed herein; and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.</p> <p>The amount of this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.</p> <p>I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Signature of Authorized Officer</p>    <p>_____</p> <p>Type or Print Name and Title of Authorized Signatory</p> </div> <div style="width: 45%;"> <p>Date Signed _____</p> <p>Telephone Number _____</p> <p>E-Mail Address _____</p> </div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>(38) Name of Agency Contact Person for Claim</p>    <p>_____</p> <p>Name of Consulting Firm / Claim Preparer</p> </div> <div style="width: 45%;"> <p>Telephone Number _____</p> <p>E-mail Address _____</p> <p>Telephone Number _____</p> <p>E-mail Address _____</p> </div> </div>								

<b>PROGRAM</b> <b>320</b>	<b>MANDATE REIMBURSEMENT PROCESS I AND II</b> <b>CLAIM FOR PAYMENT</b> <b>INSTRUCTIONS</b>	<b>FORM</b> <b>FAM-27</b>
------------------------------	--	------------------------------

- (01) Enter the claimant identification number assigned by the State Controller's Office.
- (02) Enter claimant official name, county of location, street or postal office box address, city, State, and zip code.
- (03) to (08) Leave blank.
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) Not applicable.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate Form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim as shown on Form 1, line (12). The total claimed amount must exceed \$1,000; minimum claim must be \$1,001.
- (14) Initial claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15** of the following fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the penalty amount as a result of the calculation formula as follows:
- Late Initial Claims: Form FAM-27 line (13) multiplied by 10%, without limitation; or
  - Late Annual Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, late penalty not to exceed \$10,000.
- (15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.
- (16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form 1, (04)B.1.a.(f), means the information is located on Form 1, line (04) B.1.a., column (f). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the process.**
- (37) Read the statement of Certification of Claim. The claim must be dated, signed by the agency's authorized officer, and must type or print name, title, date signed, telephone number, and e-mail address. **Claims cannot be paid unless accompanied by an original signed certification. (Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.)**
- (38) Enter the name, telephone number, and e-mail address of the agency contact person for the claim. If the claim was prepared by a consultant, type or print the name of the consulting firm, the claim preparer, telephone number, and e-mail address.

**SUBMIT A SIGNED ORIGINAL FORM FAM-27 AND ONE COPY WITH ALL OTHER FORMS TO:**

***Address, if delivered by U.S. Postal Service:***

**OFFICE OF THE STATE CONTROLLER  
 ATTN: Local Reimbursements Section  
 Division of Accounting and Reporting  
 P.O. Box 942850  
 Sacramento, CA 94250**

***Address, if delivered by other delivery service:***

**OFFICE OF THE STATE CONTROLLER  
 ATTN: Local Reimbursements Section  
 Division of Accounting and Reporting  
 3301 C Street, Suite 700  
 Sacramento, CA 95816**

<b>PROGRAM</b> <b>320</b>	<b>MANDATE REIMBURSEMENT PROCESS I AND II</b> <b>CLAIM SUMMARY</b>					<b>FORM</b> <b>1</b>
(01) Claimant				(02) Fiscal Year 20__/20__		
(03) Department						
<b>Direct Costs</b>		<b>Object Accounts</b>				
		(a) Salaries and Benefits	(b) Materials and Supplies	(c) Contract Services	(d) Fixed Assets	(e) Travel and Training
(04) Reimbursable Activities		(f) Total				
<b>B. One-Time Activities</b> <i>(For successful Test Claims only)</i> 1. Training a. Classes b. Commission Workshops		One-Time Per Employee				
<b>C. Ongoing Activities</b> <i>(For successful Test Claims only)</i> 1. Test Claims a. Draft Written Narratives b. Draft/File/Review Declarations						
<b>D. Reimbursement Claims</b> <i>(For successful Reimbursement Claims only, including Incorrect Reduction Claims)</i>						
(05) Total Direct Costs						
<b>Indirect Costs</b>						
(06) Indirect Costs for Test Claims				[Refer to Claiming Instructions]		
(07) Indirect Cost Rate for Non-Test Claims				<input type="checkbox"/> Federally approved rate OMB Circular A-21 <input type="checkbox"/> FAM-29C <input type="checkbox"/> Flat 7%            %		
(08) Indirect Costs for Non-Test Claims				[Refer to Claiming Instructions]		
(09) Total Direct and Indirect Costs				[Line (05)(f) + line (06) + line (08)]		
<b>Cost Reduction</b>						
(10) Less: Offsetting Revenues						
(11) Less: Other Reimbursements						
(12) Total Claimed Amount				[Line (09) - {line (10) + line (11)}]		

<b>PROGRAM</b> <b>320</b>	<b>MANDATE REIMBURSEMENT PROCESS I AND II</b> <b>CLAIM SUMMARY</b> <b>INSTRUCTIONS</b>	<b>FORM</b> <b>1</b>
------------------------------	--	-------------------------

- (01) Enter the name of the claimant.
- (02) Enter the fiscal year of costs.
- (03) Leave Blank.
- (04) For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (h), to Form 1, block (04), columns (a) through (e), in the appropriate row. Total each row and enter the amount in column (f).
- (05) Total columns (a) through (f).
- (06) Community college districts may use the federally approved OMB Circular A-21 rate, the rate computed using form FAM-29C, or a 7% indirect cost rate, for the fiscal year of costs. Mark the applicable box for the option used. Form FAM-29C can be found in the Annual Manual for Community Colleges available online at SCO's website: [www.sco.ca.gov/ard\\_mancost.html](http://www.sco.ca.gov/ard_mancost.html). Submit Form FAM-29C or the federally approved rate agreement with the claim.

To calculate indirect costs for test claims, multiply the indirect cost rate by the applicable base used for each successful test claim per program.

The Form FAM-29C indirect cost rate and the flat 7% indirect cost rates are applied to Salaries and Benefits; whereas, the federally approved rate is applied to the allocation base used in developing the federally approved rate.

This amount should equal line (05) (f) less line (04) D. (f), times the indirect cost rate used.

- (07) Choose the rates indicated in item (06) above.
- (08) Enter the result of multiplying the Indirect Cost Rate for Non-Test Claims, line (07), by the applicable base used, excluding Test Claims.
- (09) Enter the sum of direct and indirect costs by adding line (05)(f), line (06) and line (08).
- (10) If applicable, enter any revenue received by the claimant for this mandate from any state or federal source.
- (11) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.
- (12) From Total Direct and Indirect Costs, line (09), subtract the sum of Offsetting Revenues, line (10), and Other Reimbursements, line (11). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) for the Reimbursement Claim.

**PROGRAM**  
**320**

**MANDATE REIMBURSEMENT PROCESS I AND II**  
**ACTIVITY COST DETAIL**

**FORM**  
**2**

(01) Claimant	(02) Fiscal Year 20____/20____
---------------	-----------------------------------

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

**One-Time Activities**

*(For successful Test Claims only)*

Training

☐ Classes

☐ Commission Workshops

**Ongoing Activities**

*(For successful Test Claims only)*

Test Claims

☐ Draft Written Narratives

☐ Draft/File/Review Declarations

☐ **Reimbursement Claims**

*(For successful Reimbursement Claims only,  
including Incorrect Reduction Claims)*

(04) Description of Expenses

Object Accounts

(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries and Benefits	(e) Materials and Supplies	(f) Contract Services	(g) Fixed Assets	(h) Travel and Training

(05) Total ☐ Subtotal ☐ Page: \_\_\_\_ of \_\_\_\_

<b>PROGRAM</b> <b>320</b>	<b>MANDATE REIMBURSEMENT PROCESS I AND II</b> <b>ACTIVITY COST DETAIL</b> <b>INSTRUCTIONS</b>	<b>FORM</b> <b>2</b>
------------------------------	---	-------------------------

- (01) Enter the name of the claimant.
- (02) Enter the fiscal year for which costs were incurred.
- (03) Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each applicable activity.
- (04) The following table identifies the type of information required to support reimbursable costs. To detail costs for the activity box checked in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contract services, and travel expenses. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Such documents must be made available to the SCO on request.

Object/ Sub object Accounts	Columns								Submit supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
<b>Salaries and Benefits</b>	Employee Name/Title	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked					
	Activities Performed	Benefit Rate		Benefits = Benefit Rate x Salaries					
<b>Materials and Supplies</b>	Description of Supplies Used	Unit Cost	Quantity Used		Cost = Unit Cost x Quantity Used				
<b>Contract Services</b>	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service			Cost=Hourly Rate x Hours Worked or Total Contract Cost			Copy of Contract and Invoices
<b>Fixed Assets</b>	Description of Equipment Purchased	Unit Cost	Usage				Cost= Unit Cost x Usage		
<b>Travel and Training</b>	Purpose of Trip Name and Title Departure and Return Date	Per Diem Rate Mileage Rate Travel Cost	Days Miles Travel Mode					Total Travel Cost = Rate x Days or Miles	
	Employee Name/Title Name of Class		Dates Attended					Registration Fee	

- (05) Total line (04), columns (d) through (h) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the activity costs, number each page. Enter totals from line (05), columns (d) through (h) to form 1, block (04), columns (a) through (e) in the appropriate row.

<b>PROGRAM 320</b>	<b>MANDATE REIMBURSEMENT PROCESS I AND II PROGRAM DETAIL</b>		<b>FORM 3</b>
(01) Claimant		(02)	Fiscal Year 20____/20____
(03) Total Costs Claimed by Program			
Name of Program			Total Direct and Indirect Costs
<b>(04) Test Claims</b>			
(05) Total Test Claims			
<b>(06) Reimbursement Claims including Incorrect Reduction Claims (IRC's)</b>			
<b>A. IRC's</b>			
<b>B. Reimbursement Claims</b>			
(07) Total Reimbursement Claims and IRC's			
(08) Grand Total Direct and Indirect Costs			
(09)			Page: ____ of ____

<b>PROGRAM</b> <b>320</b>	<b>MANDATE REIMBURSEMENT PROCESS I AND II</b> <b>PROGRAM DETAIL</b> <b>INSTRUCTIONS</b>	<b>FORM</b> <b>3</b>
------------------------------	---	-------------------------

**Complete Form 3 for the total costs incurred for Test Claims, Incorrect Reduction Claims and Reimbursement Claims by program.**

- (01) Enter the name of the claimant.
- (02) Enter the fiscal year for which costs were incurred.
- (03) Leave blank.
- (04) List successful test claims by program and the total direct and indirect costs incurred in preparing each test claim.
- (05) Enter the total direct and indirect costs for all successful test claims.
- (06) A. List all successful IRC's by program and the total direct and indirect costs incurred in preparing each IRC.
  - B. List all reimbursement claims by program and the total direct and indirect costs incurred in preparing each reimbursement claim.
- (07) Enter the total direct and indirect costs for all IRC's and reimbursement claims.
- (08) Add line (05) and line (07). **[Note:** This amount must reconcile with the amount shown on Form 1, line (09)].
- (09) Enter the number of pages on line (09) if more than one form is required.